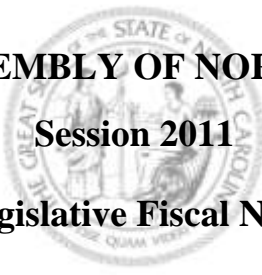


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2011

Legislative Fiscal Note

BILL NUMBER: Senate Bill 27 (Second Edition)

SHORT TITLE: Involuntary Annexation Moratorium.

SPONSOR(S): Senators Brock, Goolsby, and Newton

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u>	<u>FY 2015-16</u>
REVENUES:					
General Fund:					*No General Fund Impact*
Municipalities					*See Assumptions and Methodology*
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: NC Municipalities					
EFFECTIVE DATE: Becomes effective when law. The bill sunsets on June 30, 2012.					

BILL SUMMARY:

Senate Bill 27 makes the following changes:

Section 1:

- Prohibits municipal adoption of an involuntary annexation resolution of consideration, resolution of intent, or annexation ordinance for cities of less than 5,000 (Part 2 of Article 4A of Chapter 160A) or by cities of 5,000 or more (Part 3 of Article 4A of Chapter 160A).
- Tolls (suspends) any action or notice required for any involuntary annexation ordinance that has been initiated, but not yet adopted.
- Allow municipalities to continue to develop polices, plan, collect data, or develop materials for potential future annexations.

Section 2:

- Provides that any involuntary annexation ordinance adopted prior to the effective date of this act with an effective date on or after the effective date of this act shall not become effective until July 1, 2012, or a later date adopted by the municipality.
- Provides that an annexation ordinance adopted prior to the effective date of this act that is the subject of litigation in any court on the effective date of this act shall not become effective until July 1, 2012, or a later date adopted by the municipality.

Section 3:

- Stays (suspends) any pending involuntary annexation litigation.

Section 4:

- Provides that a municipality may amend its budget ordinance to account for the effect of this act, including establishment of a different tax rate.

Section 5:

- Contains a severability clause.

Source: Bill Summary, Giles S. Perry, Committee Counsel

ASSUMPTIONS AND METHODOLOGY:

According to the NC League of Municipalities, there are currently twenty-seven municipalities that have adopted a resolution of consideration or intent to annex. In several cases, municipalities have adopted ordinances of annexation which are currently being challenged in court. SB 27 would delay the effective date of pending annexation ordinances until July 1, 2012 and suspend any pending annexation litigation.

Although several cities have made expenditures to prepare for provision of services to annexed areas and to pay for pending litigation, the bill does not require additional municipal expenditures. By delaying the effective date of potential annexations, the bill would postpone the collection of property taxes from annexed areas. G.S. 160A-58.10 allows for collection of property taxes from property owners in annexed areas on a prorated basis.

Therefore, the bill will result in reduced property tax revenues for any municipalities that would have adopted annexation ordinances barring court challenges prior to July 1, 2012. Several other revenue sources would potentially be impacted by the delay of annexations because they are distributed based on population, sales or operation of businesses within municipal boundaries. These sources include local option sales and use taxes, privilege license taxes, videoprogramming taxes, gasoline taxes (Powell Bill funds), utility franchise taxes, excise tax on piped natural gas and beer and wine taxes.

Because the property values, population, sales and other data upon which the revenue attributable to annexed areas is not known, it is not possible to estimate the amount of tax revenue that would be lost due to the delay of annexations.

SOURCES OF DATA: NC League of Municipalities

TECHNICAL CONSIDERATIONS: None

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Rodney Bizzell

APPROVED BY: Marilyn Chism, Director
Fiscal Research Division

DATE: February 23, 2011



Signed Copy Located in the NCGA Principal Clerk's Offices